

EDDY PAPER COMPANY LIMITED

AND ITS SUBSIDIARIES

1 9 5 4
annual
report



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P R E S I D E N T ' S M E S S A G E

THIS YEAR, for the first time, the consolidated financial statements include the earnings and assets of our partly owned subsidiary, Sidney Roofing & Paper Company Limited and its wholly owned subsidiaries. Eddy Paper Company Limited now owns over 82% of the capital stock of that Company, including all of the Class "B" (voting) stock, and it is the opinion of your Directors that the earnings and financial position of your Company are more accurately portrayed by including all of its subsidiaries in the consolidation.

Net income for the year amounted to \$1,321,652 after deducting \$91,394 for minority interests in the consolidated profits of Sidney Roofing & Paper Company Limited. During the year our Class "A" shareholders received the usual dividends totalling \$1.00 per share or an aggregate of \$200,000.

Sales volume generally was higher than in 1953, with most divisions sharing in the improvement. In The E. B. Eddy Company, consumer paper products and fine and specialty papers made gains, while newsprint production remained at previous levels and paperboard dropped off somewhat. Sidney Roofing & Paper Company Limited enjoyed satisfactory volume, with substantial advances being made in the paperboard and converting divisions.

Perhaps the most significant changes in operations during the year were the bringing into production early in August of the new paper machine in the Hull Mill of The E. B. Eddy Company for the manufacture of tissue, and the modernization of our tissue converting facilities. The resultant excellence of quality, together with aggressive sales and advertising policies, was reflected in greatly increased sales of the products of these new facilities.

Operating costs continued to rise in 1954. Wage rates were substantially higher and customer requirements for higher quality standards raised costs in all operations.

The new tissue machine and the development program for the fine paper mills, now nearing completion, are having a profound effect on operations.

They have made possible the improvement of existing products and the development of new ones, some of which are now on the market. Great savings in operating costs have been achieved and this should not be obscured by other factors. A partial measure of these savings is indicated by the fact that wage rate increases since 1952 are costing The E. B. Eddy Company over \$1,000,000 annually. These have been absorbed without compensating increases in selling prices. Conversely, competition has forced price reductions in certain major lines.

We look to the future with the confidence that earnings will be further improved by expanding sales and reducing costs. To this end the organization plans to devote further large sums to capital expenditures in the years 1955 and 1956. These further expenditures will be concentrated mainly on increasing newsprint capacity and improving paperboard capacity and quality. In addition, intensive study is being given to the expansion of the capacity of Sidney Roofing & Paper Company Limited for its products on the West Coast.

In February, 1955 your Directors accepted with regret the resignation of Mr. Archibald Welch as Vice-President and General Manager.

It is with deep gratitude and sincere appreciation that I refer to the contribution made by all of our employees to the results obtained from the operations of our Companies. The extensive program of capital expenditures in recent years has thrown a particularly heavy burden on the staffs of the various Companies who, while carrying out this program, have had the responsibility for regular day-to-day operations under circumstances which at times have been difficult and trying.



PRESIDENT AND MANAGING DIRECTOR.

REVIEW OF THE YEAR

OPERATIONS

Bringing the new tissue machine into operation signalled the completion of a major phase of the Eddy post-war program of modernization and development, which has been designed to raise operating efficiency and improve our products. Our tissue production is now concentrated on this machine, which represents the very latest of its type, and two old and less efficient machines have been shut down.

Similarly, the development program for the fine paper mills, now nearing completion, has as its objective the concentration of our fine paper production on large, fast machines, with eventual shut-down of less efficient equipment. Another two of the older machines are scheduled to discontinue operations in 1955.

The expansion plans of Sidney Roofing & Paper Company Limited took a step forward during the year with the acquisition of all of the capital stock of Vancouver Paper Box Limited. In addition to the resultant increase in volume of paperboard and converted products, the close integration of the operations of this Company with those of National Paper Box Limited has permitted cost reductions and more efficient employment of production facilities.

Demand for Sidney's roofing and other building products, stimulated by improved financing arrangements in the housing industry, was good in 1954 and sales volume improved somewhat from the previous year.

PROPERTIES

The high level of operating costs and the increasing support accorded our products have warranted continued expenditures on plant modernization and expansion. Capital outlays in 1954 amounted to \$4,815,956, of which \$4,703,478 went into production and converting facilities and \$112,478 was spent on woodlands equipment and installations.

We are now embarking on a new two-year program for 1955 and 1956, which calls for expenditures of some \$5 million in the Eddy plants. Further capital expenditures are also scheduled for the Sidney organization in British Columbia to enable it to meet the growing demand for its products in that part of Canada.

WORKING CAPITAL

At December 31, 1954, working capital amounted to \$6,880,823, the reduction of \$1,592,964 during the year reflecting the heavy capital expenditure program.

BONDS

During the year the outstanding bonds of The E. B. Eddy Company were refunded by new issues at substantially lower interest rates and less onerous repayment terms. The old bonds, which bore interest of 3½%, 4% and 4¾% and aggregated \$8,991,500 after the normal sinking fund re-

demptions in 1954, were replaced in October by 3¼% and 4% issues totalling \$10,000,000.

The \$2,500,000 3¼% serial bonds mature in amounts of \$250,000 annually in the years 1955 to 1964, and the 4% sinking fund bonds maturing in 1974 call for redemption of \$300,000 of the principal amount annually, starting in 1965.

EARNINGS

The consolidated net income of the Company amounted to \$1,321,652, as compared with \$1,086,717 in 1953, after making allowance for the minority interest in the consolidated profits of Sidney Roofing & Paper Company Limited.

In harmony with the purpose of stating earnings more accurately, the income tax provision reflected in the statement of income for the year has been based, not on depreciation allowed for tax purposes, but on recorded depreciation, and this tax provision is calculated to be \$308,609 higher than the taxes actually payable with respect to the year 1954. This excess has been set up as a reserve for taxes payable in future years when, under present law, depreciation allowed for tax purposes will be lower than that recorded in our accounts.

Since the inception of The E. B. Eddy Company employees' retirement income plan, that Company has followed the policy of funding pensions earned by past service at the maximum rate permitted by Federal income tax regulations. Payments for this purpose aggregated \$1,119,329 from 1947 to 1953. Because of this conservative policy and also the fund's higher investment earnings than originally anticipated, your management considers the retirement income plan so sufficiently well financed that no payment with respect to past service pensions was

required in 1954 and accordingly no such payment was made or accrued.

RETAINED INCOME

At December 31, 1954, this amount of \$6,195,943 represents the portion of accumulated earnings remaining after paying dividends. Included is \$1,121,652 from our 1954 earnings, representing \$1,321,652 of income after taxes, less the fixed annual dividends paid to the Class "A" shareholders and which aggregate \$200,000.

During the year, \$551,090 was deducted from retained income representing the cost of refinancing. Of this, \$281,440 consists of bond discount and other expenses incurred in connection with the issue of the 1954 Series bonds, and \$269,650 was the premium paid on the redemption of the Series "A", "B" and "C" bonds.

THE FUTURE

Your management views the prospects for the Company's future with confidence. New machines and modernized equipment offer the opportunity to set new and higher production records. Sales staffs have been augmented, sales efforts have been intensified and new products are being developed. Through the improved financing conditions for housing, which have recently been announced, the market for building products should be sustained throughout 1955. Naturally, the Company's successful operations and its level of earnings are dependent on a well balanced and healthy Canadian economy, but we have faith in the growth of this country and will continue to invest in men and machinery so that we may better keep pace with its growth.

EDDY PAPER COMPANY LIMITED

and its subsidiaries

THE E. B. EDDY COMPANY and SIDNEY ROOFING & PAPER COMPANY LIMITED

THREE - YEAR COMPARISON OF EARNINGS & FINANCIAL POSITION

EARNINGS

	1954	1953	1952
Operating profit before taking into account the items shown below	\$ 5,143,543	\$ 5,298,161	\$ 4,815,388
<i>Deduct:</i>			
Bond interest	\$ 426,377	\$ 438,253	\$ 354,430
Contributions to employees' retirement income plan	284,955	447,341	434,668
Provision for depreciation and depletion	1,674,616	2,070,042	1,919,633
	\$ 2,385,948	\$ 2,955,636	\$ 2,708,731
PROFIT BEFORE PROVISION FOR TAXES ON INCOME	\$ 2,757,595	\$ 2,342,525	\$ 2,106,657
Provision for taxes on income	1,344,549	1,176,292	1,141,733
	\$ 1,413,046	\$ 1,166,233	\$ 964,924
<i>Deduct:</i>			
Minority interest in net income of partly owned subsidiary	91,394	79,516	58,421
NET INCOME FOR THE YEAR	\$ 1,321,652	\$ 1,086,717	\$ 906,503

FINANCIAL POSITION

Current assets	\$14,495,880	\$14,764,485	\$15,101,043
Current liabilities	7,615,057	6,290,698	6,646,311
WORKING CAPITAL	\$ 6,880,823	\$ 8,473,787	\$ 8,454,732
Proceeds of bond issue in hands of Trustee	—	—	234,648
Properties, less accumulated depreciation	31,638,068	28,362,881	26,840,115
Timber leases and licenses	2,153,688	2,253,028	2,396,002
	\$40,672,579	\$39,089,696	\$37,925,497
<i>Deduct:</i>			
Funded debt	\$10,741,500	\$ 9,986,724	\$ 9,713,400
Reserves	1,229,609	921,000	921,000
Minority interest in partly owned subsidiary	783,553	797,054	784,615
	\$12,754,662	\$11,704,778	\$11,419,015
NET ASSETS APPLICABLE TO CLASS "A" AND COMMON SHARES OF EDDY PAPER COMPANY LIMITED	\$27,917,917	\$27,384,918	\$26,506,482

EDDY PAPER COMPANY LIMITED

and its subsidiaries

THE E. B. EDDY COMPANY and SIDNEY ROOFING & PAPER COMPANY LIMITED

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1954

Operating profit before taking into account the items shown below		\$ 5,143,543
<i>Deduct:</i>		
Bond interest	\$ 426,377	
Contribution to employees' retirement income plan	284,955	
Provision for depletion	85,863	
Provision for depreciation	1,588,753	2,385,948
		<u>\$ 2,757,595</u>
Provision for taxes on income (Note 3)		1,344,549
		<u>\$ 1,413,046</u>
<i>Deduct:</i>		
Minority interest in net income of partly owned subsidiary		91,394
Net income for the year		<u>\$ 1,321,652</u>

Note: Directors' fees amounted to \$6,150 and executive salaries and legal fees to \$313,788 for the year.

RETAINED AND USED IN THE BUSINESS FOR THE YEAR ENDED DECEMBER 31, 1954

Balance at beginning of year, including \$716,844 being interest in undistributed earnings, since acquisition, of partly owned subsidiary not previously consolidated		\$ 5,625,381
Net income for the year		1,321,652
		<u>\$ 6,947,033</u>
<i>Deduct:</i>		
Bond discount and other expenses arising from issue of First Mortgage Bonds, 1954 Series	\$ 281,440	
Premium on redemption of Series "A", "B" and "C" Bonds	269,650	
Dividends aggregating \$1.00 per share on Class "A" shares	200,000	751,090
		<u>751,090</u>
Balance at end of year		<u>\$ 6,195,943</u>

EDDY PAPER CO

and its su

THE E. B. EDDY COMPANY and SIDNEY

CONSOLIDATED BALANCE S

A S S E T S

CURRENT ASSETS:

Cash	\$ 1,030,007	
Trade and other accounts receivable (less reserves \$124,935)	3,659,245	
Finished stocks, goods in process and raw materials (Note 1)	7,418,741	
Expenditure on logging operations in progress	1,913,396	
Prepaid expenses	474,491	\$14,495,880

PROPERTIES:

Land, water power and rights, at cost	\$ 1,589,726	
Buildings, machinery and equipment, less accumulated depreciation (Note 2)	30,048,342	31,638,068

TIMBER LEASES AND LICENSES, at book value as reinstated at
December 31, 1944, plus subsequent acquisitions at cost, less depletion 2,153,688

Signed on behalf of the Board:
 R. A. IRWIN, *Director*
 R. F. CALDWELL, *Director*

\$48,287,636

AUDITORS

TO THE SHAREHOLDERS OF
 EDDY PAPER COMPANY LIMITED:
 We have examined the consolidated balance sheet of Eddy Paper Company Limited of income and income retained and used in the business for the year ended on that date and in connection therewith our examination included a general review of the accounting procedure of the Eddy Company, and such tests of the accounting records and other supporting evidence as we considered necessary. The consolidated financial statements, audited by other Chartered Accountants, of the part subsidiaries, whose accounts were not examined by us but which are included in the consolidated financial statements, are included in the consolidated financial statements. In our opinion, the above consolidated balance sheet supplemented by the notes thereto and used in the business are properly drawn up so as to exhibit a true and correct view of the combined results of their operations for the year ended on that date, according to the accounting principles applied by the companies examined by us and the audited financial statements furnished to us.

MPANY LIMITED

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ROOFING & PAPER COMPANY LIMITED

SHEET - DECEMBER 31, 1954

L I A B I L I T I E S

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ 2,546,454	
Notes payable	4,000,000	
Income and other taxes	818,603	
Serial bonds maturing October 1, 1955	250,000	\$ 7,615,057

FIRST MORTGAGE BONDS (Note 4)		10,741,500
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RESERVES:

For income taxes payable in future years (Note 3)	\$ 308,609	
For possible future decline in inventory values, in respect of which reserve corporation income taxes have been paid	921,000	1,229,609

MINORITY INTEREST IN PARTLY OWNED SUBSIDIARY		783,553
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SHAREHOLDERS' INTEREST represented by:

Cumulative Convertible Non-Callable Class "A" shares entitled to fixed annual dividends of \$1.00 each—		
Authorized—400,000 shares at \$20.00 per share		
Issued —200,000 shares	\$ 4,000,000	
Common shares without nominal or par value—		
Authorized—600,000 shares		
Issued —200,000 shares at \$20.00 per share	4,000,000	
Excess of book value of net assets of subsidiaries over consideration for acquisition of shares	1,648,640	
Excess of appraisal value over depreciated cost of buildings, machinery and equipment	12,073,334	
Income retained and used in the business	6,195,943	27,917,917
		<u>\$48,287,636</u>

REPORT

and its subsidiary companies as at December 31, 1954 and the consolidated statements
late and have obtained all the information and explanations we have required. In con-
clures of Eddy Paper Company Limited and of its wholly owned subsidiary, The E. B.
ence as we considered necessary in the circumstances. We have been furnished with
ly owned subsidiary Sidney Roofing & Paper Company Limited and its wholly owned
onsolidated statements.

hereto and the accompanying consolidated statements of income and income retained
iew of the state of the combined affairs of the companies as at December 31, 1954 and
e best of our information and the explanations given to us and as shown by the books

PRICE WATERHOUSE & CO.,
GEO. A. WELCH & COMPANY,
Chartered Accountants

EDDY PAPER COMPANY LIMITED

and its subsidiaries

THE E. B. EDDY COMPANY and SIDNEY ROOFING & PAPER COMPANY LIMITED

NOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS

1. The E. B. Eddy Company finished stocks and goods in process are valued at standard cost not in excess of actual cost, and raw materials, supplies and pulpwood are valued at average cost. The finished stocks, goods in process and raw materials of Sidney Roofing & Paper Company Limited and its subsidiaries are valued at the lower of cost or market.

2. The value of buildings, machinery and equipment appearing in the accompanying balance sheet is based on appraisals and includes facilities located on lands not owned in fee simple. The figures shown represent the following:

Replacement values based on appraisals made by Dominion Appraisal Company Limited in 1947 and 1948, plus subsequent net additions at cost	\$52,400,521
Less: Accumulated depreciation based on appraisals plus subsequent provisions	22,352,179
	<u>\$30,048,342</u>

3. The income taxes payable in respect of the year 1954 amount to \$1,035,940. The difference of \$308,609 between this and the taxes charged against income results from claiming for tax purposes an amount greater than the depreciation recorded in the accounts. This difference is applicable to those future periods in which the amounts claimed for tax purposes will be less than the depreciation recorded in the accounts and is accordingly included in the balance sheet in the item "Reserve for income taxes payable in future years".

4. First mortgage bonds at December 31, 1954 comprise:

Bonds issued by The E. B. Eddy Company—	
3¼% serial bonds due October 1, 1956 to 1964	\$ 2,250,000
4% sinking fund bonds due October 1, 1974	7,500,000
	<u>\$ 9,750,000</u>
Bonds issued by Sidney Roofing & Paper Company Limited—	
3¾% sinking fund bonds due July 2, 1965	991,500
	<u>\$10,741,500</u>

EDDY PAPER COMPANY LIMITED

DIRECTORS R. F. CALDWELL
J. A. CRAIG
D. G. CURRIE
C. L. GUNDY
R. A. IRWIN
W. D. MOFFATT
R. A. ROBERTSON
J. F. TAYLOR
W. GARFIELD WESTON

OFFICERS W. Garfield Weston, *Chairman of the Board*
R. A. Robertson, *Vice-Chairman of the Board*
R. A. Irwin, *President and Managing Director*
W. D. Moffatt, *Vice-President*
J. W. Paterson, *Vice-President*
J. F. Taylor, *Vice-President*
R. F. Caldwell, *Secretary and Treasurer*
B. W. Power, *Assistant Treasurer*
C. G. Banghart, *Assistant Secretary*

TRANSFER AGENTS Montreal Trust Company
Halifax, Montreal, Toronto, Winnipeg and Vancouver
The Maritime Trust Company
Saint John

REGISTRARS The Toronto General Trusts Corporation
Montreal, Toronto, Winnipeg and Vancouver
and its agents at Halifax and Saint John

OUR PRODUCTS

THE E. B. EDDY COMPANY

Paper is such an everyday ingredient of our modern civilization that we are inclined to take it for granted. And yet it serves each of us, in our home, business and industry, in many vital and indispensable ways. Some of the many uses of paper are indicated in this brief summary of the diversified paper products of The E. B. Eddy Company.

PRINTING PAPERS

Cheneaux Bond, Wellington Offset, Guardian Index Bristol, Tecumseh Bristol, Mohawk Bristol, Ancaster Book, Multiscrip and Multicopy Duplicating and many others, all in a selection of sizes, weights and colors.

CONVERTING PAPERS

A wide range of papers for conversion into hundreds of everyday products, for example, envelopes, bread wrappers, paper cups, etc.

HOUSEHOLD PRODUCTS

Toilet Tissues—White Swan, Universal and Alouette.

Serviettes—White Swan and Linen Finish.

Towels—White Swan roll and dispenser.

GROCERY BAGS

For grocers, druggists and confectioners.

PAPERBOARD

A wide range of grades for manufacturing into paper cartons largely for use in the food processing industry.

INDUSTRIAL PRODUCTS

Toilet Tissues—Onliwon and Roll Tissue.

Towels—Onliwon, Eureka, Apex and Premier.

Tray Cloths

Serviettes—Dispenser and Onliwon.

NEWSPRINT

For the domestic and export markets.

SIDNEY ROOFING & PAPER COMPANY LIMITED

MANUFACTURERS OF

Duroid Asphalt Shingles

Sidney Insulated Sidings

Roll Roofing (Plain and Mineral Surfaced)

Permax Building Papers

Plain and Saturated Building Papers

Built-up Roofing Materials

Asphalt Preservative Coatings and Cements

Paperboards and Cartons

DISTRIBUTORS OF

Sidney Asbestos-Cement Sidings

Rock Wool Insulation

Sidney Asbestos Building Boards

Masonite, Ten/Test and Plywood Products

Asphalt Tile Flooring

Barclay Primtile Wallboard

THE E. B. EDDY COMPANY

HEAD OFFICE

Hull, P.Q.

MILLS

Hull, P.Q.
Ottawa, Ont.

SALES OFFICES

Halifax, N.S.	Toronto, Ont.
Saint John, N.B.	Hamilton, Ont.
Quebec, P.Q.	London, Ont.
Montreal, P.Q.	Ottawa, Ont.

AGENCIES

St. John's, Nfld.	Saskatoon, Sask.
Fort William, Ont.	Calgary, Alta.
Winnipeg, Man.	Edmonton, Alta.
Regina, Sask.	Vancouver, B.C.

In Eastern Canada The E. B. Eddy Company maintains sales offices except in Newfoundland, where Gordon Butler & Co., Ltd. act as distributors.

In Western Canada Tees & Persse Ltd. act as sales representatives. Export sales throughout the world are made through agents and brokers.

SIDNEY ROOFING & PAPER COMPANY LIMITED

HEAD OFFICE

Victoria, B.C.

PLANTS

Victoria, B.C.
Vancouver, B.C.
Lloydminster, Alta.

SALES OFFICES AND WAREHOUSES

Victoria, B.C.	Edmonton, Alta.
Vancouver, B.C.	Calgary, Alta.
Nanaimo, B.C.	Saskatoon, Sask.
	Winnipeg, Man.

THIS REPORT IS LITHOGRAPHED IN CANADA
ON E. B. EDDY'S WELLINGTON OFFSET FILLED,
BASIS 25 x 38 — 200M

